

Compiled by:
Jacques du Toit
Senior Property Analyst
Absa Home Loans
Absa Group Limited
(Reg No 1986/003934/06)

45 Mooi Street
Johannesburg
2001

PO Box 7735
Johannesburg
2000
South Africa

Tel: +27 (0) 11 350 7246
E-mail: jacques@absa.co.za
Website: <http://www.absa.co.za>

The information in this publication is derived from sources which are regarded as accurate and reliable, is of a general nature only, does not constitute advice and may not be applicable to all circumstances. Detailed advice should be obtained in individual cases. No responsibility for any error, omission or loss sustained by any person acting or refraining from acting as a result of this publication is accepted by Absa Group Limited and/or the authors of the material.

Mortgage advances growth slows down

The year-on-year (y/y) growth in the total value of outstanding mortgage balances at monetary institutions, comprising both commercial and residential mortgage loans, slowed down to 3,4% in February 2011 from 3,8% in January. Month-on-month growth of 0,4% was recorded in February compared with 0,2% in January. These trends are based on data released by the South African Reserve Bank in respect of domestic credit extension.

Outstanding mortgage balances in the household sector increased by 4,1% y/y in February this year after rising by 4,6% y/y in January. On a monthly basis household mortgage balances were up by R2,8 billion, or 0,4%, in February compared with the preceding month.

The declining trend in mortgage advances growth since late last year is believed to be related to various factors impacting the household sector:

- The ratio of household debt to disposable income dropped to 77,6% in the 4th quarter of 2010 (78,7% in the 3rd quarter), but was still high compared with historical levels.
- The percentage of credit-active consumers having impaired credit records remained high at a level of 46,5% in the final quarter of 2010 (46,3% in the 3rd quarter). This situation impacts consumers' ability to take up credit against the background of the National Credit Act and banks' lending criteria.
- Fuel prices increased significantly since late last year, while food price inflation is rising.
- Consumer confidence was lower in the 1st quarter of 2011, after being stable in 2010.

The ratio of outstanding household mortgage debt to disposable income came in at 46,9% in the 4th quarter of 2010, down from 47,9% in the 3rd quarter. The cost of servicing household mortgage debt as a percentage of disposable income was around 4,3% in the 4th quarter of last year (about 4,7% in the 3rd quarter). This was the net result of trends in the growth of household mortgage debt (0,9% quarter-on-quarter (q/q)), nominal disposable income (3,1% q/q) and a somewhat lower mortgage interest rate in the final quarter of last year.

Year-on-year mortgage advances growth is forecast to firmly remain in single digits in 2011.

Mortgage Advances, Inflation and Interest Rates								
Period	Total mortgage advances ¹		Mortgage advances to households, end of period			CPI inflation %	Mortgage rate % eop	
	R billion	y/y % ch	R billion	y/y % ch	% of total			
Feb 2010	1 012.7	3.9	733.9	4.3	72.5	5.7	10.5	
Mar 2010	1 016.6	3.6	737.2	4.1	72.5	5.1	10.0	
Apr 2010	1 017.9	3.6	739.2	4.4	72.6	4.8	10.0	
May 2010	1 021.4	3.4	742.1	4.0	72.7	4.6	10.0	
Jun 2010	1 023.4	3.4	743.4	4.0	72.6	4.2	10.0	
Jul 2010	1 028.5	4.0	747.3	4.5	72.7	3.7	10.0	
Aug 2010	1 039.8	4.8	757.0	5.5	72.8	3.5	10.0	
Sep 2010	1 041.8	4.8	759.2	5.7	72.9	3.2	9.5	
Oct 2010	1 043.5	4.7	760.7	5.6	72.9	3.4	9.5	
Nov 2010	1 046.8	4.8	763.9	5.8	73.0	3.6	9.0	
Dec 2010	1 042.1	4.0	758.7	4.6	72.8	3.5	9.0	
Jan 2011	1 043.9	3.8	761.4	4.6	72.9	3.7	9.0	
Feb 2011	1 047.6	3.4	764.2	4.1	73.0	3.7	9.0	

¹Comprising commercial and residential mortgages (end of period (eop))
Sources: SARB, Stats SA

